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Thailand: Prem's Prospects at Midterm

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An Intelligence Assessment

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April 1985

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An Intelligence Assessment

This paper was prepared by [] Office
of East Asian Analysis. Comments and queries are
welcome and may be directed to the Chief,
Southeast Asia Division, OEA, on []

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Key Judgments

*Information available
as of 3 April 1985
was used in this report.*

Prime Minister Prem Tinsulanonda is politically stronger than at any time since he took office in 1980. A challenge by Army Commander in Chief Arthit Kamlang-ek has been blunted, and the palace and senior military officers now openly support Prem. We expect that, barring a recurrence of serious illness such as he suffered last fall, this support will allow Prem and the coalition government he heads to remain in office for at least one more year.

As Parliament opens in April, however, Prem will be tested in four main areas:

- *The economy.* Planned austerity measures aimed at backing up last November's currency devaluation and slashing the budget deficit will offend labor groups, farmers, opposition politicians, and entrenched economic interests.
- *Party politics.* The opposition Thai Nation Party will use economic issues to attack the Prime Minister and, aided by latent rifts within the coalition, to attempt to force its way into the Cabinet.
- *Arthit.* King Bhumibol's order to Prem to extend Arthit's tenure in both of his Army posts solved the immediate problem of his projected September retirement. Despite royal assurances that Arthit will stay out of politics, however, Prem will have to keep an eye on him.
- *Military restiveness.* Including the military in governmentwide austerity measures will be a challenge; the Air Force's plan to buy US F-16s has already stirred controversy.

Prem will be helped in meeting these tests by moderate economic growth—forecast at 5 to 6 percent this year—that will undercut some of the unpopularity of budget cuts and economic reforms, as well as by continuing disunity among opposition politicians. We doubt that dissidents within the ruling parties have enough power to cause the coalition's collapse because party leaders want to remain in office and because Prem's political skills have improved. Although Arthit will probably try to capitalize on mistakes by Prem to regain his lost political standing, we believe Prem will be able to outmaneuver him.

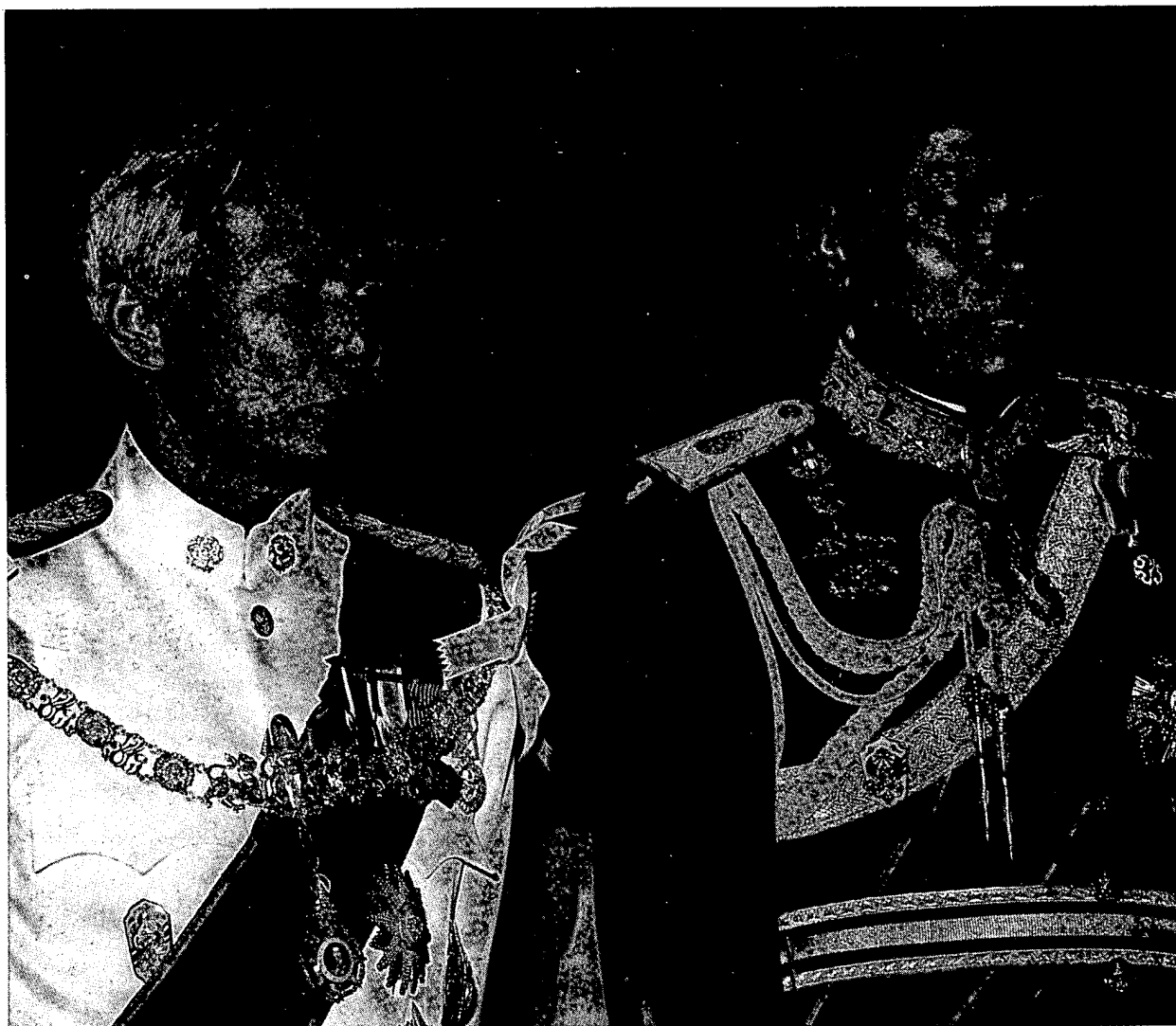
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Prime Minister Prem (left) emerged victorious last year over political rival General Arthit (right). But competition between the two continues, as Prem passes the halfway mark of his four-year term. ☐

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Riding High

Prime Minister Prem Tinsulanonda is enjoying his strongest political position since he took office in 1980. By recently extending the tenure of Arthit Kamlang-ek—concurrently Army Commander in Chief and Supreme Commander—Prem sharply reduced the most immediate threat to his government.

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Prem's key constituencies—the monarchy, the coalition parties, and certain military groups—are intact and openly supportive:

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- *The palace.*

Although the palace has been criticized for interfering in domestic politics, the Prime Minister's palace connections have handicapped his opponents—who want to avoid openly flouting royal wishes.

- *The coalition.* The coalition parties need Prem, a nonpartisan leader, to bind them together. The leaders of the two largest coalition parties, the Social Action Party (SAP) and the Democrat Party (DP), have also developed close relationships with the Prime Minister. The strength of the coalition was demonstrated during Prem's illness last fall and the devaluation crisis in November 1984, when the parties closed ranks behind him.

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- *The military.* According to the US Embassy, Deputy Chief of Staff Chavalit and officers from Class Five of the Royal Military Academy—who graduated in 1953—now hold some of the Army's most powerful commands and form Prem's main pillar of support within the Army.

In addition, Prem appears to have become increasingly confident and at ease with politics—a far cry from the hapless military man who took office in 1980. In

our judgment, his ability to discipline his Cabinet has improved, and, although we believe Prem still prefers to delegate important decisions to a small circle of advisers, he has shown political courage in pursuing controversial policies suggested by them. At the same time, his hands-off approach to policymaking has allowed Prem personally to escape some of the criticism directed at the government.

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His skillful handling of the devaluation crisis last November also demonstrated that he has learned how to mount a public relations campaign and to co-opt opponents through compromise. Political observers say Prem's image improved greatly as a result of that confrontation. His characteristic avoidance of controversy and preference for consensus—often criticized as aloofness and indecision—was praised by the media as coolness and restraint.

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Parliamentary Challenges

The opening of Parliament in April will be the beginning of a difficult political season for Prem that will carry through to late September, when promotions of senior military officers are published. Although he has managed the present coalition with increasing skill, factionalism and rivalries within the coalition could undermine continued unity. Disputes within the parties could unseat several ministers, and earlier this year a Democrat member of Parliament announced the formation of a new party composed of coalition dissidents. Although the new party is unlikely to get off the ground soon because of legal restrictions, the announcement underscores discontent among coalition parliamentarians.¹ The ruling parties'

¹ The new party will probably have trouble meeting requirements on minimum size and nationwide support. Other discontented members of Parliament will wait until the next election before openly joining because a member loses his seat if he switches parties except at election time. According to US diplomats, the proposed party also lacks financial backers.

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Parliament and the Ruling Parties

Prem's coalition government—formed after the April 1983 election—is composed of four center-right parties. Party representation in the elective House of Representatives is divided among nine parties. Prem himself does not belong to any political party (Note: results from two recent byelections were not available at time of publication.):

Total seats in Parliament	324
Ruling coalition	208
Social Action Party (SAP)	101
Democrat Party (DP)	57
Thai Citizen Party (TCP)	35
National Democracy Party (NDP)	15
Thai Nation Party (TNP)	109
Other parties	7

Prem's fourth coalition has been more cohesive than previous governments. Political appointees in each ministry now come from the same party. Previously, the posts of minister and deputy minister were divided among the parties. This led to constant bickering and bureaucratic delays. Nonpartisan appointees hold the interior, defense, and finance portfolios.

cohesiveness could also be weakened if debate on Thailand's Cambodian policy increases after the aggressive Vietnamese dry-season offensive this year.

The opposition Thai Nation Party (TNP)—which has been excluded from the Cabinet for two years—will use Parliament as a forum to attack the government in hopes of improving the party's seamy public image or forcing its way into the coalition. In attacking Prem, the TNP will probably focus on economic policy and Finance Minister Sommai, Prem's top economic policy maker. Leaders have said they will seek a vote of no confidence in the entire Cabinet. Media reports indicate that TNP politicians continue to organize and join in protests by labor unions, farmers, and students. The US Embassy also reports

The Constitutional Controversy

Prem's fourth coalition since 1980 is operating under new constitutional rules. Provisional clauses—which expired in 1983—allowed the military to dominate the government and weakened the political parties:

- Senators—mostly active-duty and retired military officers—were allowed to vote on motions of no confidence and the government's annual budget.
- Active-duty military men and government officials could hold political posts, such as Cabinet positions.
- Political parties were not required to run candidates for at least half the seats being contested in an election.
- Members of the House of Representatives could switch parties during sessions without losing their seats.
- Voters had the right to vote for individual candidates rather than party slates.

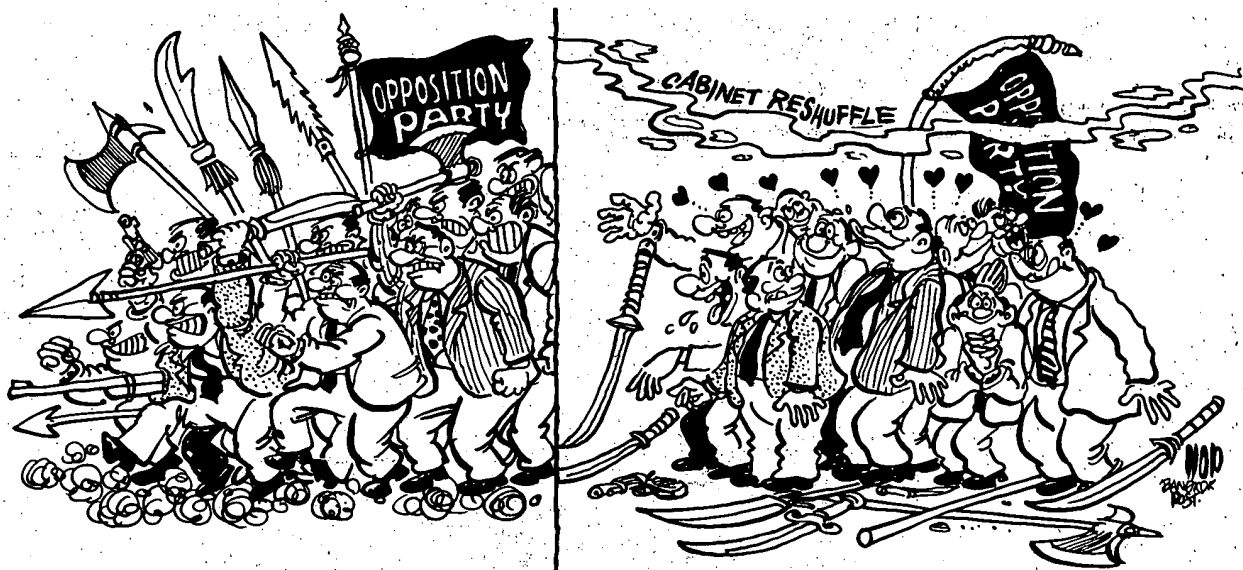
Arthit's two attempts at amending the Constitution—in March 1983 and in August-September 1984—demonstrated his lack of political skill. In 1983 the motion was defeated by 10 votes—after Arthit and 11 others had resigned their senate seats. Last September, under pressure from the palace, the parties, and other military officers, Arthit withdrew his support from an attempt to question the legality of the March 1983 vote.

that TNP politicians have been touring the impoverished northeastern section of Thailand denouncing the government's agricultural policies, which strengthens current speculation that they intend to make the economy a major issue when Parliament reconvenes.

We also expect some TNP members will join in constitutional initiatives to restore lost political prerogatives to the military. The constitutional amendments, which have been proposed repeatedly over the past two years, would again allow career civil servants—both military men and civilians—to enter the

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Satire on Thai Nation Party. The TNP is often criticized as disorganized, undisciplined, and preoccupied with attaining the spoils associated with political office.

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Cabinet. They would also erode the power of elected civilian politicians by once more allowing members of the Upper House—mostly active-duty and retired military officers—to vote on the budget and confidence motions.

The momentum behind the constitutional change has declined because of its close linkage to Arthit's political fortunes, but the issue still has the potential to split the coalition and weaken Prem's authority. Military blandishments—offers of political favors or inclusion in future Army-dominated governments—appeal even to many politicians in the ruling parties. The largest party in the coalition, the Social Action Party, has twice led the fight against the amendments, but SAP leader and former Prime Minister Khukrit has hinted to the press that he might change his stand under certain circumstances. Most observers believe, however, that the leadership of the Democrat Party opposes the changes. If the three other coalition partners agreed to support the amendments and the Democrats withdrew from the government in protest, the loss of their 57 seats would force Prem to reshuffle his Cabinet. If actually enacted, the constitutional amendments would give ambitious military men—like Arthit—entry into the Cabinet, where they could undermine Prem.

Tough Economic Decisions

Prem has made several politically risky moves to reform the Thai economy that have gone fairly smoothly thus far, but the fallout is far from over. The government has begun to implement controversial long-range plans to cut tariffs, liberalize the financial sector, and reform deficit-ridden state enterprises. Last November, facing a second consecutive year of current account deficits in excess of \$2 billion, Prem approved a devaluation of the baht by more than 17 percent against the dollar,² drawing strong denunciations from Arthit's opposition politicians and labor leaders. In the ensuing confrontation, Arthit was forced to retreat by Prem's key supporters—his coalition partners, senior military officers, and the palace. Without military backing, a strike by state railway

² Although the baht was officially tied to a basket of foreign currencies in 1981, in practice it remained firmly pegged to the US dollar. The continuing strength of the dollar had contributed to an overvalued baht, meaning that the exchange rate encouraged imports and discouraged exports. The devaluation, of course, is designed to encourage exports.

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workers demanding back wages and compensation for the devaluation and an opposition attempt to recall Parliament fizzled, enabling the Prem government to survive the brouhaha over the devaluation.³ []

Prem over the past several months has also thrown his weight behind several financial austerity measures that are designed to reduce a large budget deficit and to ensure that the benefits of the devaluation are not lost. The measures for the current fiscal year—which began last October—include:

- A 5- to 10-percent cut in government spending.
- A \$700 million reduction in the ceiling on government-guaranteed foreign borrowing for 1985 to \$1.6 billion.
- Increased indirect taxes and rates for public utilities and services; a hike in Bangkok busfares—usually a sensitive issue—took effect without incident in February.
- Phasing out subsidies to some state enterprises.

Nonetheless, the devaluation is expected to fuel a jump in the rate of inflation from about 1 percent in 1984 to about 7 percent this year—assuming retail oil prices remain constant—[]

[] If the government decides to allow domestic oil prices to rise in order to reduce the drain on the budget, the inflation rate will be higher. In any event, promises made during the devaluation crisis to compensate the military \$110 million and to raise the salaries of low-ranking officials will increase the government's budget deficit. Thus, even with the austerity measures, we estimate the deficit will reach \$1.7 billion for the current fiscal year, an increase of about 40 percent over the government's original projections.⁴ []

To minimize protest and its potential backlash, the government has launched a public relations campaign emphasizing the necessity of setting Thailand's financial house in order. Nevertheless, opponents of Prem's

⁴ This figure represents the deficit for the central government budget only. If other items—such as state-run public enterprises—were included, the projected deficit could reach \$2.8 billion. The Thai Government has only recently begun to look at the aggregate deficit. []

economic policies will probably be highly vocal once Parliament reopens:

- Labor leaders, though more subdued since November, have already signaled their opposition to the reforms and austerity measures. Unions in the public sector—the strongest in Thailand—will resist measures to sell some government enterprises to the private sector and efforts to make state enterprises profitable. More strikes and public protests are likely.
- Manufacturers are likely to oppose attempts to make the Thai market more open to competing goods by reducing import tariffs. The devaluation greatly increased the cost to domestic manufacturers of importing raw materials, machinery, and equipment. Opposition politicians—many of whom have industrial interests of their own—will be receptive allies and will probably use these issues to attack the government in Parliament.

- Farmers are suffering from a slump in commodities prices and a lack of cheap bank credit. If the devaluation fails to improve their lot as promised, we believe Prem's opponents in the Thai Nation Party will find it easy to organize public protests by farmers to embarrass the government.

- The influential Sino-Thai banking community may reconsider their support of Prem because of new regulations aimed at increasing competition in the banking sector and requirements that banks diversify their ownership. []

The danger is that a cycle of strikes and public protests could undercut public acceptance of Prem's policies. The Prime Minister then might have to delay implementation or abandon his policies—or certain economic advisers—altogether. In our judgment, serious disorder or prolonged protests would also weaken military support for the government, and—given the Army's strongly authoritarian orientation—might even prompt a coup on the pretext of restoring public order. []

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Military Wild Cards**Handling Arthit**

Acting on royal orders, Prem recently extended Arthit's tenure in both military positions for another year. In obeying King Bhumibol, Prem has taken a calculated risk—presumably Arthit now has less incentive for political meddling because he no longer faces retirement later this year. [redacted] the terms of the extension included Arthit's agreement to support the government, as well as assurances from the palace to Prem that Arthit would refrain from political activities. [redacted]

In general, we believe the extension has made Prem's political position more secure, while its effect on Arthit's standing has been largely neutral. The US Embassy does not believe the extension signals a resurgence of Arthit's political influence,⁵ and notes that Arthit now appears to be Army leader in name only. The officer corps as a whole does not support Arthit's political aims, and, [redacted] middle-ranking and senior officers opposed the extension because of Arthit's political involvement and doubts about his competency as an Army officer. They reportedly blame Arthit, for example, for the poor performance of several Army units that suffered heavy casualties during recent Vietnamese incursions across the Cambodian border. [redacted]

Austerity and the Military

The military's share in governmentwide austerity is a sensitive issue, according to the US Embassy. The 20-percent reduction in public-sector borrowing from abroad will pinch the military's procurement plans at a time when the Army had begun modernizing its equipment and weapon systems. Thus far, Prem is moving cautiously, and, [redacted] he has cut only about \$36 million, or about 2.6 percent, from the overall military budget for 1985. Efforts to improve the profitability of state enterprises, however, may hit some senior officers in the pocketbook because directorships of state enterprises have traditionally been awarded to senior military men to supplement their income. [redacted]

If the proposal to buy US F-16 fighter planes is any indication, austerity will worsen tensions between the military and civilian technocrats just when Prem needs solid military backing to deal with other issues. Many officers believe that civilians have no right to question military purchases. For example, [redacted] in January that the Defense Ministry had abandoned its plans to buy the F-16 until military proponents of the deal protested. Arthit even complained to US officials about interference by civilians—presumably Prem—in military matters. For whatever reason, Prem reversed the Cabinet decision, but the number of planes under consideration has been reduced from 16 to 12. [redacted]

Looking Ahead

If he remains healthy, we expect Prem to be in office at least until this time next year. Although Prem in the past has occasionally expressed distaste for politics and a wish to retire, we have no evidence he is currently discouraged or frustrated with his job. Indeed, most observers believe he is increasingly comfortable with his political role. [redacted]

There is nothing on the political horizon, as best we can determine, that would topple Prem from power in the near term. Despite difficulties within the ruling parties, party leaders appear able to keep quarrels from seriously affecting government stability. Opposition's hopes to enter the Cabinet seem unlikely to be fulfilled soon, and renewed military efforts to amend the Constitution will probably be unsuccessful this year. Although the government's financial belt-tightening will be unpopular, economic observers forecast a real growth rate of 5 to 6 percent in 1985—a fact that should ease the pain of budget cutting somewhat. Finally, granting Arthit's extension request sharply reduces the likelihood that Arthit will try to overthrow Prem this year to forestall retirement. [redacted]

Nevertheless, Prem will have to be alert to future moves by Arthit. Given Arthit's past behavior, we doubt he will keep his promises not to dabble in politics. Arthit may hope that his recent political

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Succession Issues

coup or an assassination plot would succeed are poor at best, in our judgment. [REDACTED]

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Prem, meanwhile, will almost certainly continue to work at eroding Arthit's political standing and his role in military affairs—perhaps by manipulating military promotions and procurements. The Prime Minister may also intervene with the palace by asking the King to appoint Prem's supporters to the upper house of Parliament in April, when 75 senators will be replaced. Such a move would dilute Arthit's influence in this body, which, among other things, votes on constitutional amendments. [REDACTED]

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The Risks

There are also several possibilities—which Prem cannot control—that would alter our calculations about the near-term stability of the Prem government:

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[REDACTED] *The 1978 Constitution provides only for royal appointment of the prime minister with the approval of the President of Parliament. It does not specify a time limit for naming a new prime minister should the incumbent die, what circumstances would trigger the succession mechanism, or who would act for the prime minister until a successor is named.*

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Because there is no precedent under this Constitution, ensuing political uncertainty could easily give ambitious military men a pretext to seize power. At the very least, we would expect the Army to throw its support to candidates favoring military interests. If there were no outstanding candidate, King Bhumibol would probably appoint a compromise candidate until one aspirant was able to rally party, military, and royal support. [REDACTED]

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setbacks will be forgotten and that he can regain lost political ground by next year. As long as he remains on active duty, Arthit could try to gather support within the Army for a coup against Prem. A few of his less responsible followers could also attempt violence against the Prime Minister.⁶ Chances that either a

- Major scandals involving coalition partners that would result in the withdrawal of one or more of the ruling parties and lead to the coalition's breakup.
- Collapse of one or more of the large chit funds, informal investment pools that have become big business in Thailand. US diplomats report that high-ranking military officers and prominent civilians have invested huge sums in such funds. Because some are actually pyramid schemes, the government last year issued a royal decree phasing out larger funds, but fund operators continue to accept money and to deposit large sums in legal financial institutions. If rumors of a government crackdown or of a collapse prompted investors to withdraw their money from the funds, the government fears that a run on banks and a major political embarrassment could result. This in turn could lead to a fracturing of the coalition.
- Sustained direct combat between Thai and Vietnamese forces at the Cambodian border. Although the Cambodian war has not been a major domestic issue to this point, prolonged fighting with the Vietnamese could lead political forces who disagree with the present policy to challenge the government.⁷

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- Death or incapacitation of King Bhumibol, and an ensuing succession struggle. Crown Prince Vajiralongkorn is widely considered unsuited to succeed his father because of his emotional instability, and many Thai see his younger sister, Sirinthon, as a more qualified candidate. Legally, any of the King's children may succeed him—but there is no indication of how the question would be resolved. ☐

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